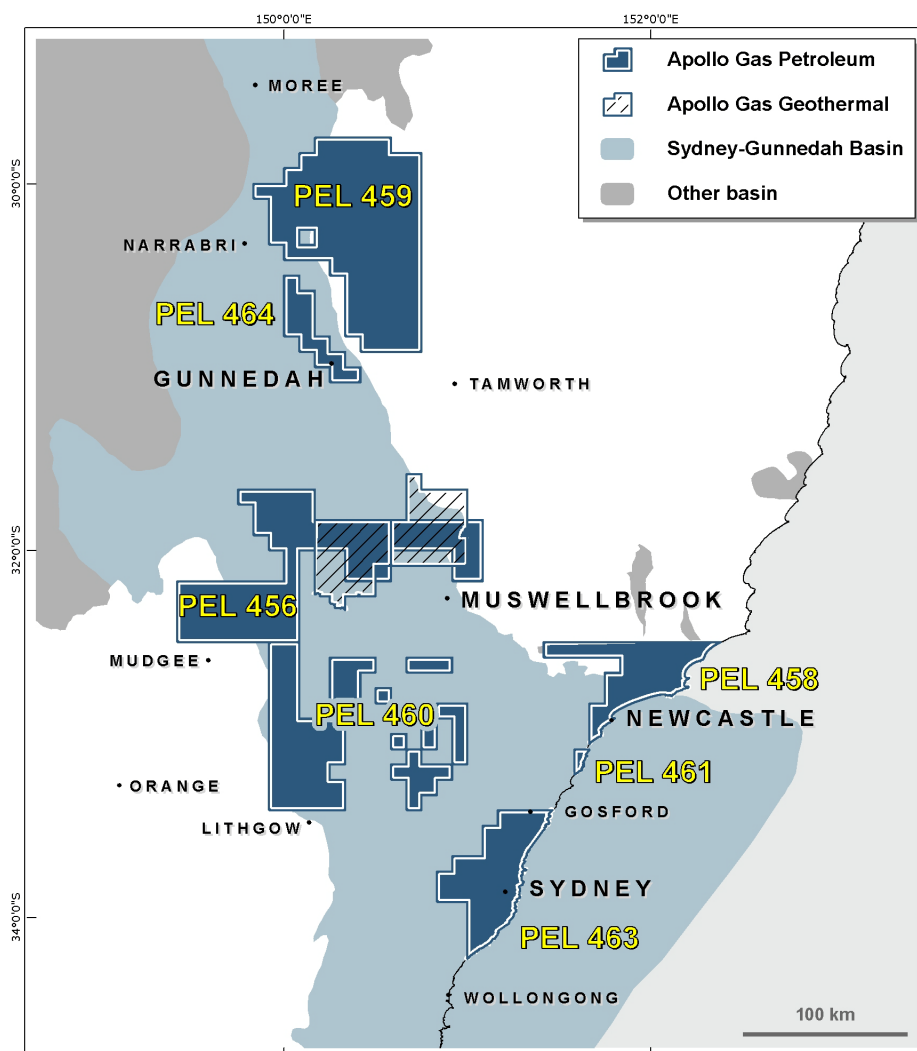


PEL 456 – UPDATE

This announcement provides an update on Coal Seam Gas (“CSG”) exploration drilling within PEL 456, which is subject to a farm-in by Santos QNT Pty Ltd (“Santos”). Santos currently has a 15% interest in the CSG rights in PEL 456.

PEL 456 covers an area of 5,953 km² and is located in the Upper Hunter of New South Wales, and occupies the transition between the Sydney and the Gunnedah Basins.



Location of Apollo Gas exploration licences

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Regional Exploration Drilling

Exploration drilling in PEL 456 has progressed with the recent completion of coreholes Cuan-1 and Turill-1. The table below summarises work done to date by Santos in PEL 456.

	Year	Total Depth (m)	Gross Coal Thickness (m)	Gas content (m ³ /t)	Average Gas Composition
Cuan-1	2010	1,422	78.5	up to 15 (raw)*	99% methane
Turill-1	2010	1,110	31	up to 18 (raw)*	n/a*
Brawboy-1	2009	1,435	73.3	3-25 (daf)	92% methane 7.5% nitrogen
Brawboy-2	2010	1,098	21	Not measured	Not measured
Rouchel Rouchel-1&2	2009	1,000	78.0	3-10 (daf)	24% methane 76% CO ₂
Oakdale-1	2009	892	9.9	1-2 (daf)	50% methane 50% CO ₂

* based on preliminary data

Cuan-1 completed

Cuan-1 was spudded on 20 May 2010 and reached a total depth (TD) of 1,422m on 30 July 2010.

Results include:

- Intersected 78.5m of gross coal with 42.5m of coal being sampled for gas desorption test work;
- Best coal development encountered in PEL 456 to date, with 4 major seams, each greater than 7m thick, including a 13m thick seam in the Pamboola Formation;
- Highest preliminary gas content reported was 15m³/t (raw basis);
- Average gas composition reported for samples (to a depth of 1,211m), was 99% methane and <1% carbon dioxide;
- Significant gas was recovered from the drilling mud on reverse circulation;
- A strong "blow" of gas was reported, and, during circulation, gas was flared;

The Cuan-Brawboy area extends for over 7km between drill holes Cuan-1 and Brawboy-1. The full extent of the CSG play encountered in the Cuan-Brawboy area is yet to be fully defined.

Further exploration will determine if the CSG play extends to the underlying Maules Creek Formation coal seams which are un-explored in this area.

Apollo has engaged an external consultant to review the resource potential of PEL 456.



Cuan-1 drill site



Gas flared during DST-3 at Cuan-1

Turill-1 Completed

Turill-1, located 30km west of the township of Merriwa, was spudded on the 10 August 2010 and reached a total depth (TD) of 1,110m on 6 September 2010.

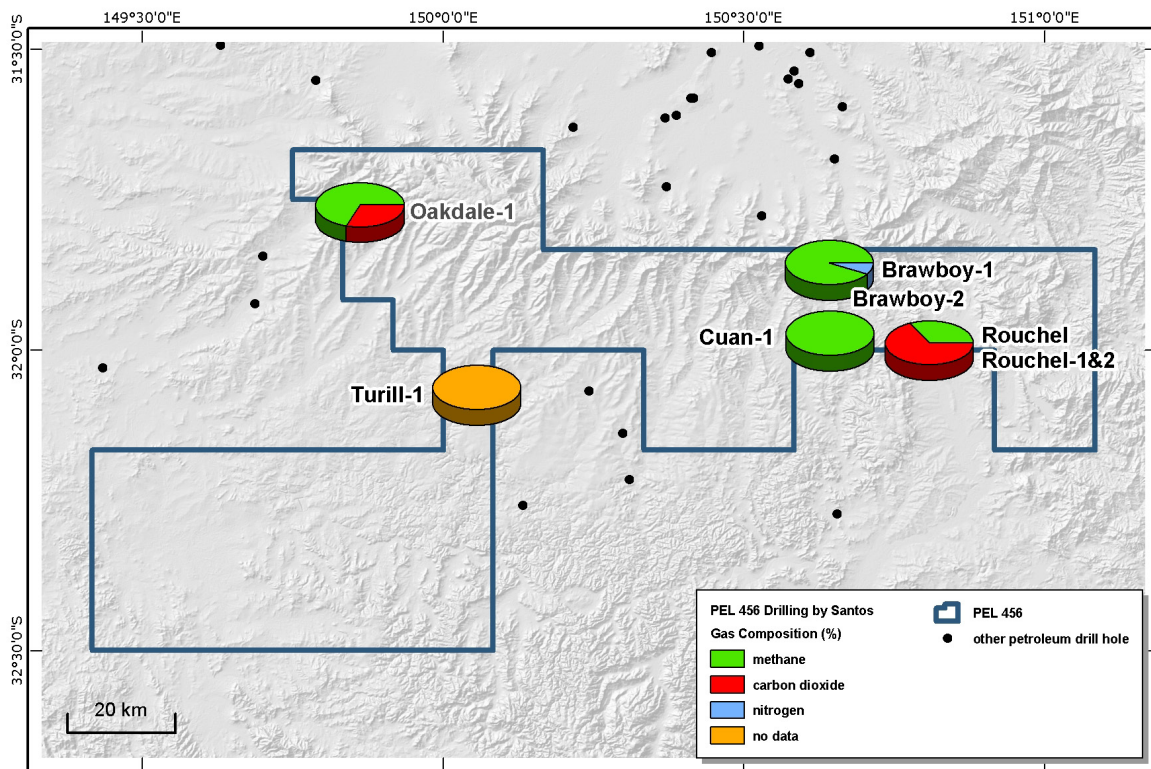
Results include:

- Intersected 31m of gross coal, including a 17m thick Hoskissons seam with a net coal thickness of 11m;
- 19 canisters of coal were collected from Turill-1 for gas desorption analysis between 691m and 865m depth. Compositional and gas content data yet to be received from the lab;
- Terminated in basal volcanics.

Assessment of data collected at Turill-1 will be undertaken over coming weeks.



Turill-1 drill site



Location of PEL 456 drilling including average gas compositions per hole

Results to date are promising, and Apollo is working with Santos QNT to further evaluate the resource potential in PEL 456.

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MANAGING DIRECTOR

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